

**CITY OF LACOMBE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**CITY OF LACOMBE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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## Independent Auditor's Report

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### To the Members of Council of the City of Lacombe

We have audited the accompanying consolidated financial statements of the City of Lacombe, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Lacombe as at December 31, 2016 and the results of its operations, change in its net assets (debt) and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

April 24, 2017  
Red Deer, Alberta

Chartered Professional Accountants

**CITY OF LACOMBE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>	2015
	<b>\$</b>	\$
<b>NON-FINANCIAL ASSET</b>		
Cash and Temporary Investments (Note 2)	<b>8,570,469</b>	14,595,690
Receivables (Note 3)		
Taxes and Grants-in-Place of Taxes Receivable	<b>472,279</b>	319,958
Trade and Other Receivables	<b>12,401,160</b>	7,284,282
Land Held for Resale Inventory	<b>3,798,689</b>	3,798,689
	<b>25,242,597</b>	25,998,619
<b>FINANCIAL LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<b>6,781,664</b>	5,313,409
Employee Benefit Obligations (Note 4)	<b>872,942</b>	891,288
Deposit Liabilities	<b>3,250,504</b>	2,059,932
Deferred Revenue (Note 5)	<b>5,365,374</b>	9,743,048
Long-Term Debt (Note 6)	<b>13,605,935</b>	5,841,026
	<b>29,876,419</b>	23,848,703
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>(4,633,822)</b>	2,149,916
<b>NON FINANCIAL ASSETS</b>		
Tangible Capital Assets (Schedule 1)	<b>159,992,019</b>	141,826,108
Inventory for Consumption	<b>290,256</b>	324,231
Prepaid Expenses	<b>81,921</b>	62,441
	<b>160,364,196</b>	142,212,780
<b>ACCUMULATED SURPLUS</b>	<b>155,730,374</b>	144,362,696
Contingent Liabilities (Note 14)		

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
<b>REVENUE</b>			
Net Municipal Property Taxes (Schedule 2)	13,190,184	<b>13,148,095</b>	12,396,230
User Fees and Sales of Goods	9,865,816	<b>9,315,940</b>	8,929,328
Government Transfers (Schedule 3)	7,583,830	<b>13,474,300</b>	10,517,769
Penalties and Costs on Taxes	224,144	<b>156,256</b>	159,787
Development Levies	-	-	349,211
Contributed Assets	-	<b>3,008,510</b>	8,025,303
Franchise and Concession Contracts	1,076,557	<b>1,089,019</b>	1,014,666
Licenses and Permits	499,000	<b>641,852</b>	570,009
Rental Revenue	118,537	<b>115,527</b>	130,453
Return on Investments	125,955	<b>28,939</b>	154,753
Fines	372,455	<b>464,459</b>	1,096,125
Other	532,973	<b>857,238</b>	355,782
Total revenue	<u>33,589,451</u>	<u><b>42,300,135</b></u>	<u>43,699,416</u>
<b>EXPENSES (Schedule 4)</b>			
General Government Services	3,139,424	<b>3,360,668</b>	2,958,085
Protective Services	4,837,295	<b>4,951,522</b>	4,585,585
Transportation Services	6,372,960	<b>7,196,192</b>	6,691,096
Water, Wastewater and Waste Management	7,562,491	<b>7,371,003</b>	7,478,573
Public Health and Welfare Services	526,366	<b>530,241</b>	471,314
Environmental Development Services	1,652,342	<b>2,330,448</b>	1,888,515
Recreation and Cultural Services	6,136,003	<b>5,192,383</b>	4,974,985
Total expense	<u>30,226,881</u>	<u><b>30,932,457</b></u>	<u>29,048,153</u>
EXCESS OF REVENUES OVER EXPENSES	3,362,570	<b>11,367,678</b>	14,651,263
ACCUMULATED SURPLUS	<u>144,362,696</u>	<u><b>144,362,696</b></u>	<u>129,711,433</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>147,725,266</u></u>	<u><u><b>155,730,374</b></u></u>	<u><u>144,362,696</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	Budget	2016	2015
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	3,362,570	11,367,678	14,651,263
Acquisition of Tangible Capital Assets	(14,431,948)	(20,647,268)	(14,499,302)
Contributed Assets	-	(3,008,510)	(8,025,303)
Proceeds on Disposal of Tangible Capital Assets	-	118,017	11,217
Amortization of Tangible Capital Assets	5,256,990	5,256,993	4,925,648
Loss (Gain) on Disposal of Tangible Capital Assets	-	146,839	(38,111)
Write Down of Asset	-	(2,992)	3,140
	(5,812,388)	(6,769,243)	(2,971,448)
Change in prepaid expense and inventory for consumption	212,704	(14,495)	68,707
<b>INCREASE IN NET ASSETS</b>	(5,599,684)	(6,783,738)	(2,902,741)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	5,052,657	2,149,916	5,052,657
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	(547,027)	(4,633,822)	2,149,916

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of Revenues over Expenses	11,367,678	14,651,263
Non-cash items included in excess of revenues over expenses:		
Amortization of Tangible Capital Assets	5,256,990	4,925,648
Loss (Gain) on Disposal of Assets	146,839	(38,111)
Tangible Capital Assets Received as Contributions	(3,008,510)	(8,025,303)
Net changes in non-cash working capital balances:		
Taxes and Grants in Place of Receivables	(152,321)	76,954
Trade and Other Receivables	(5,116,878)	(3,493,418)
Land Held for Resale Inventory	-	(413,832)
Inventory for Consumption and Prepaid Expenses	14,495	68,707
Accounts Payable and Accrued Liabilities	1,468,255	2,161,546
Employee Benefit Obligations	(18,346)	116,915
Deposit Liabilities	1,190,572	545,093
Deferred Revenue	(4,480,951)	(1,198,510)
Write Down of Capital Asset	-	3,140
	<b>6,667,823</b>	<b>9,380,092</b>
<b>INVESTING ACTIVITIES</b>		
Decrease (Increase) in Restricted Cash Balances	4,484,276	1,833,556
<b>FINANCING ACTIVITIES</b>		
Long-Term Debt Repaid	(1,463,485)	(1,888,431)
Long-Term Debt	9,296,437	-
	<b>7,832,952</b>	<b>(1,888,431)</b>
<b>CAPITAL ACTIVITIES:</b>		
Acquisition of tangible capital assets	(20,647,268)	(14,499,302)
Proceeds on sale of tangible capital assets	118,017	11,217
	<b>(20,529,251)</b>	<b>(14,488,085)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(1,544,200)</b>	<b>(5,162,868)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,098,698</b>	<b>8,261,566</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>1,554,498</b>	<b>3,098,698</b>
<b>CASH AND EQUIVALENTS - COMPRISED OF (Note 2.)</b>		
Cash and Temporary Investments	8,570,469	14,595,690
Restricted Cash	(7,015,971)	(11,496,992)
	<b>1,554,498</b>	<b>3,098,698</b>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 1**

	Cost					Amortization				2016	2015	
	Beginning of year	Acquisition	Change in assets under construction	Disposals	Write Down	End of year	Beginning of year	Amortization	Disposals	End of year	\$	\$
Land	12,336,621	-	-	-	-	12,336,621	-	-	-	-	<b>12,336,621</b>	12,336,621
Land improvements	6,489,935	150,491	338,288	(8,657)	-	6,970,057	2,702,396	233,362	-	2,935,758	<b>4,034,299</b>	3,787,539
Buildings	27,636,690	23,064	8,308,979	(151,206)	-	35,817,527	9,037,540	719,894	39,314	9,718,120	<b>26,099,407</b>	18,599,150
Engineered Structures	137,594,592	4,619,633	162,977	(53,466)	-	142,323,736	42,521,998	3,535,569	8,978	46,048,589	<b>96,275,147</b>	95,072,594
Machinery & Equipment	5,217,806	207,407	934,889	(135,080)	-	6,225,022	2,582,763	440,625	(92,208)	2,931,180	<b>3,293,842</b>	2,635,043
Vehicles	5,094,552	149,206	633,691	(102,699)	-	5,774,750	3,045,019	327,539	(77,730)	3,294,828	<b>2,479,922</b>	2,049,533
Assets Under Construction	7,345,626	18,505,977	(10,378,824)	-	-	15,472,779	-	-	-	-	<b>15,472,781</b>	7,345,626
	<b>201,715,822</b>	<b>23,655,778</b>	<b>-</b>	<b>(451,108)</b>	<b>-</b>	<b>224,920,492</b>	<b>59,889,716</b>	<b>5,256,989</b>	<b>(218,230)</b>	<b>64,928,475</b>	<b>159,992,019</b>	<b>141,826,106</b>

The accompanying notes are an integral part of these financial statements.



**SCHEDULE OF PROPERTY AND OTHER TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 2**

	Budget	2016	2015
	\$	\$	\$
<b>NET MUNICIPAL PROPERTY TAXES</b>			
Real Property Taxes	17,297,433	<b>17,307,233</b>	16,372,890
Linear Property Taxes	145,280	<b>143,109</b>	140,451
Government Grants in Place of Property Taxes	122,963	<b>121,729</b>	116,084
Special Assessments and Local Improvement Taxes	63,543	<b>26,044</b>	28,420
	<u>17,629,219</u>	<u><b>17,598,115</b></u>	<u>16,657,845</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	4,158,691	<b>4,196,064</b>	4,011,302
Seperate School Requisition	173,038	<b>146,650</b>	145,255
Lacombe Foundation Requisition	107,306	<b>107,306</b>	105,058
	<u>4,439,035</u>	<u><b>4,450,020</b></u>	<u>4,261,615</u>
	<u><u>13,190,184</u></u>	<u><u><b>13,148,095</b></u></u>	<u><u>12,396,230</u></u>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 3**

	Budget	2016	2015
	\$	\$	\$
<b>OPERATING</b>			
General Government Services	33,167	<b>27,027</b>	14,008
Protective Services	606,296	<b>611,925</b>	608,837
Transportation Services	12,000	<b>48,726</b>	12,500
Waste Management Services	39,804	<b>41,194</b>	23,809
Family Community Support Services	276,856	<b>317,914</b>	270,564
Public Health and Welfare Services	12,000	<b>9,208</b>	11,180
Environment Development Services	95,416	<b>574,676</b>	398,725
Recreation and Cultural Services	527,929	<b>622,208</b>	497,445
	<u>1,603,468</u>	<u><b>2,252,878</b></u>	<u>1,837,068</u>
<b>CAPITAL</b>			
Protective Services	24,000	<b>3,233,222</b>	2,790,327
Transportation Services	812,917	<b>2,462,887</b>	3,257,953
Water and Wastewater Services	180,250	<b>257,968</b>	550,144
Public Health and Welfare Services	-	-	207,884
Recreation and Cultural Services	4,963,195	<b>5,267,345</b>	1,874,393
	<u>5,980,362</u>	<u><b>11,221,422</b></u>	<u>8,680,701</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>7,583,830</u></u>	<u><u><b>13,474,300</b></u></u>	<u><u>10,517,769</u></u>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Schedule 4**

	Budget	2016	2015
	\$	\$	\$
<b>CONSOLIDATED EXPENDITURES BY OBJECT</b>			
Salaries, Wages, and Benefits	12,320,568	<b>12,565,429</b>	11,639,519
Contracted and General Services	6,447,727	<b>6,645,920</b>	6,687,525
Materials, Goods and Utilities	3,671,387	<b>3,245,586</b>	3,264,326
Provision for Allowances	22,446	<b>52,244</b>	6,341
Transfer to Local Boards and Agencies	1,259,062	<b>2,011,417</b>	1,634,472
Transfer to Individuals and Organizations	631,747	<b>695,752</b>	579,773
Bank Charges and Short-Term Interest	34,300	<b>41,261</b>	36,919
Interest on Long-Term Debt	435,742	<b>271,016</b>	311,741
Amortization of Tangible Capital Assets	5,256,993	<b>5,256,993</b>	4,925,648
Loss (Gain) on Disposal of Tangible Capital Assets	146,839	<b>146,839</b>	(38,111)
	<b>30,226,811</b>	<b>30,932,457</b>	<b>29,048,153</b>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Schedule 5

	General Government Services	Protective Services	Transportation Services	Water, Wastewater and Waste Management	Public Health and Welfare Services	Environment al Developme nt Services	Recreation and Cultural Services	Total \$
<b>REVENUE</b>								
Net Municipal Property Taxes	13,122,051	-	20,311	5,733	-	-	-	<b>13,148,095</b>
Government Transfers	27,027	3,845,147	2,514,175	299,162	327,122	574,676	5,886,991	<b>13,474,300</b>
User Fees and Sales of Goods	49,444	53,212	76,479	8,032,613	42,261	65,702	996,229	<b>9,315,940</b>
Licenses, Permits and Fines	117,375	646,517	31,022	38,881	-	428,772	-	<b>1,262,567</b>
Franchise and Concession Contracts	1,089,019	-	-	-	-	-	-	<b>1,089,019</b>
Return on Investments	28,939	-	-	-	-	-	-	<b>28,939</b>
Contributed Assets	-	-	1,946,718	1,051,792	-	-	10,000	<b>3,008,510</b>
Other	65,949	23,363	407,212	77,258	9,420	61,533	328,030	<b>972,765</b>
	<b>14,499,804</b>	<b>4,568,239</b>	<b>4,995,917</b>	<b>9,505,439</b>	<b>378,803</b>	<b>1,130,683</b>	<b>7,221,250</b>	<b>42,300,135</b>
<b>EXPENDITURES</b>								
Salaries, Wages, and Benefits	2,400,403	3,584,097	1,602,997	1,332,212	54,242	888,800	2,702,678	<b>12,565,429</b>
Contracted and General Services	489,841	904,747	1,018,438	3,202,386	20,314	450,436	559,758	<b>6,645,920</b>
Materials, Goods and Utilities	171,255	175,751	1,054,035	1,059,365	2,997	57,166	725,017	<b>3,245,586</b>
Provision for Allowances	4,874	2,586	5,160	31,727	-	7,771	126	<b>52,244</b>
Transfer to Local Boards and Agencies	-	51,520	25,000	845,309	403,729	685,859	-	<b>2,011,417</b>
Transfer to Individuals and Organizations	7,857	-	84,170	-	25,000	210,460	368,265	<b>695,752</b>
Interest on Long-Term Debt	19,668	18,506	55,102	40,701	-	29,735	107,304	<b>271,016</b>
Bank Charges and Short-Term Interest	26,573	1,408	-	1,185	-	-	12,095	<b>41,261</b>
Amortization of Tangible Capital Assets	93,358	212,907	3,351,290	858,118	23,959	221	717,140	<b>5,256,993</b>
Loss (Gain) on Disposal of Tangible Capital Assets	146,839	-	-	-	-	-	-	<b>146,839</b>
	<b>3,360,668</b>	<b>4,951,522</b>	<b>7,196,192</b>	<b>7,371,003</b>	<b>530,241</b>	<b>2,330,448</b>	<b>5,192,383</b>	<b>30,932,457</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>11,139,136</b>	<b>(383,283)</b>	<b>(2,200,275)</b>	<b>2,134,436</b>	<b>(151,438)</b>	<b>(1,199,765)</b>	<b>2,028,867</b>	<b>11,367,678</b>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 6

	General Government Services	Protective Services	Transportatio n Services	Water, Wastewater and Waste Management	Public Health and Welfare Services	Environment al Developme nt Services	Recreation and Cultural Services	Total \$
<b>REVENUE</b>								
Net Municipal Property Taxes	12,367,810	-	20,311	8,109	-	-	-	<b>12,396,230</b>
Government Transfers	14,008	3,399,164	3,288,514	573,953	489,628	398,725	2,353,777	<b>10,517,769</b>
User Fees and Sales of Goods	43,476	55,777	46,348	7,609,777	48,250	128,793	996,907	<b>8,929,328</b>
Licenses, Permits and Fines	132,371	1,277,378	38,625	27,416	-	350,131	-	<b>1,825,921</b>
Franchise and Concession Contracts	1,014,666	-	-	-	-	-	-	<b>1,014,666</b>
Return on Investments	154,753	-	-	-	-	-	-	<b>154,753</b>
Contributed Assets	-	-	5,293,772	2,731,531	-	-	-	<b>8,025,303</b>
Other	75,348	18,053	147,731	68,360	-	397,936	128,018	<b>835,446</b>
	<b>13,802,432</b>	<b>4,750,372</b>	<b>8,835,301</b>	<b>11,019,146</b>	<b>537,878</b>	<b>1,275,585</b>	<b>3,478,702</b>	<b>43,699,416</b>
<b>EXPENDITURES</b>								
Salaries, Wages, and Benefits	2,201,157	3,158,273	1,493,278	1,271,284	61,213	819,748	2,634,566	<b>11,639,519</b>
Contracted and General Services	502,352	1,074,128	703,873	3,432,352	5,317	430,857	538,646	<b>6,687,525</b>
Materials, Goods and Utilities	147,143	194,726	1,177,809	1,035,793	4,433	42,511	661,911	<b>3,264,326</b>
Provision for Allowances	2,579	1,090	-	2,063	-	609	-	<b>6,341</b>
Transfer to Local Boards and Agencies	-	6,992	30,000	858,205	355,490	383,785	-	<b>1,634,472</b>
Transfer to Individuals and Organizations	-	-	72,120	-	25,275	175,655	306,723	<b>579,773</b>
Bank Charges and Short-Term Interest	22,915	1,404	-	-	-	-	12,600	<b>36,919</b>
Interest on Long-Term Debt	25,070	20,405	66,586	52,958	-	35,129	111,593	<b>311,741</b>
Amortization of Tangible Capital Assets	94,980	128,567	3,147,430	825,918	19,586	221	708,946	<b>4,925,648</b>
Loss (Gain) on Disposal of Tangible Capital Assets	(38,111)	-	-	-	-	-	-	<b>(38,111)</b>
	<b>2,958,085</b>	<b>4,585,585</b>	<b>6,691,096</b>	<b>7,478,573</b>	<b>471,314</b>	<b>1,888,515</b>	<b>4,974,985</b>	<b>29,048,153</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>10,844,347</b>	<b>164,787</b>	<b>2,144,205</b>	<b>3,540,573</b>	<b>66,564</b>	<b>(612,930)</b>	<b>(1,496,283)</b>	<b>14,651,263</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies**

The consolidated financial statements of the City of Lacombe are the representation of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the City of Lacombe are as follows:

**a) Reporting Entity**

The consolidated financial statements represent the assets, liabilities, revenues, and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations owned or controlled by the City and are, therefore, accountable to the City Council for the administration of their financial affairs and resources.

Included with the municipality is the City of Lacombe Police Department the City of Lacombe Fire Department and the Lacombe Public Library.

The schedule of property taxes levied also includes requisitions for education and seniors' housing that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**b) Basis of Accounting**

Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers due.

Funds from external parties and earning thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Expenditures are recognized in the period the goods or services are acquired and a liability is incurred or transfers are due.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies continued**

**c) Use of Estimates**

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**d) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized using the effective interest rate method over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**e) Inventories**

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

Land held for resale is recorded at the lower of cost or net realizable value. Cost included costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies continued**

**f) Tangible Capital Assets**

**i) Asset Classes**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset are amortized on a straight line basis over the estimated useful life as follows:

<u>ASSET CLASS</u>	<u>2016</u>
Land improvements	15-40
Buildings	20-25
Engineered structures	
Roadway systems	15-60
Water systems	30-75
Wastewater systems	30-75
Storm Sewer	45-75
Machinery and equipment	5-30
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii) Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue.

**iii) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**iv) Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**g) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.



**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies continued**

**g) Requisition Over-levy and Under-levy continued**

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**h) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**i) Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies continued**

**j) Liability for Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environment standard.

Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

The liability includes all costs directly attributed to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

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**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. CASH AND TEMPORARY INVESTMENTS**

	<b>2016</b>	2015
	<b>\$</b>	\$
Cash (Bank prime less 1.85 %)	<b>8,570,439</b>	14,596,060
Temporary Investments	<b>30</b>	30
	<b>8,570,469</b>	14,596,090
Included in the above amounts are restricted funds held exclusively for the following:		
Statutory Reserves	<b>1,914,557</b>	1,914,352
Basic Municipal Transportation Grant	<b>9,630</b>	1,081,153
Federal Gas Tax	<b>259,251</b>	155,872
Municipal Sustainability Initiative Grants	<b>3,060,170</b>	6,090,053
Municipal Sustainability Housing Grants	<b>228,500</b>	699,404
Other Provincial Government Grants	<b>1,543,863</b>	1,556,088
	<b>7,015,971</b>	11,496,922

The City has a line of credit with an authorized limit of \$3,500,000 at an interest rate of Bank prime less 0.50%. Bank prime at year end was 2.70% The City had not utilized this line of credit at year end. The line of credit is secured by a general security agreement, and overdraft agreement and a borrowing resolution passed by Council.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**3. RECEIVABLES**

	<b>2016</b>	2015
	<b>\$</b>	\$
Current Taxes and Grants in Place of Taxes	<b>368,727</b>	283,007
Arrears Taxes	<b>103,552</b>	36,951
	<b>472,279</b>	319,958
Receivables from Other Governments	<b>40,421</b>	26,153
Trade and Other Receivables	<b>12,360,739</b>	7,258,129
	<b>12,401,160</b>	7,284,282
	<b>12,873,439</b>	7,604,240

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**4. EMPLOYEE BENEFIT OBLIGATION**

	<b>2016</b>	2015
	<b>\$</b>	\$
Vacation	<b>497,856</b>	525,153
Overtime	<b>552</b>	611
Retirement Benefits	<b>186,113</b>	186,113
Sick Leave	<b>188,421</b>	179,411
	<b>872,942</b>	891,288

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. Employees hired prior to February 28, 2011 with over 5 years of service are eligible for a retirement benefit based on 2.5 days per year of service to the date of retirement. Employees that meet the criteria in the policy will be eligible for these benefits in a future year. Sick leave benefits accumulate at a rate of 1.5 days per month to a maximum of 12 days per year. Sick leave benefits can be carried over from year to year to a maximum of 180 days, depending on years of service. Sick leave benefits are not paid out. The sick leave liability is estimated based on the estimated future utilization of sick leave accrued to year end.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**5. DEFERRED REVENUE**

	<b>2016</b>	2015
	<b>\$</b>	\$
Prepaid Local Improvement Charges	<b>25,911</b>	29,548
Deferred Grants	<b>5,204,691</b>	9,582,570
Other Deferred Revenue	<b>134,772</b>	130,930
	<b>5,365,374</b>	9,743,048

Deferred revenue represents amounts received which will be taken into revenue in the period in which they are earned and corresponding expenditures are incurred.

Prepaid local improvement charges are being amortized to revenue on a straight-line basis. Annual amortization for 2016 will be \$3,637 ( 2015 - \$3,637).

Deferred grants consist of funds received during the year for eligible capital projects as approved by the Province, which are scheduled for completion in the future. These grants cannot be used for any other purpose but the designated capital projects.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**6. LONG-TERM DEBT**

	<b>2016</b>	2015
	<b>\$</b>	\$
Tax Supported Debentures	<b>8,254,464</b>	4,244,833
Self Supported Debentures	<b>1,874,821</b>	820,340
Bank loan	<b>3,476,650</b>	775,853
	<b>13,605,935</b>	5,841,026

The current portion of the long-term debt amounts to Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	1,101,626	457,070	1,558,696
2018	1,013,232	411,560	1,424,792
2019	903,392	370,997	1,274,389
2020	783,419	340,568	1,123,987
2021	791,828	313,176	1,105,004
Subsequent	9,012,438	2,035,966	11,048,404
	<b>13,605,935</b>	<b>3,929,337</b>	<b>17,535,272</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.06% to 5.39% per annum, before Provincial subsidy, and matures in periods 2016 through 2036. Debenture debt is issued on the credit and security of the City at large.

The bank loans of \$3,476,650 is comprised of a promissory note to Servus Credit Union with interest being calculated at bank prime minus 0.50%. Annual equalized principal repayments are \$248,350 and interest is paid monthly. One loan is secured by a General Security Agreement dated Oct. 26, 2001 under borrowing bylaw 276. The second loan was realized in 2013. Maturity date of this loan is 2030. In the event of default, all monies become due and payable at the discretion of the Credit Union.

Bank loans are secured by the credit and security of the City of Lacombe at large. The City of Lacombe anticipates future developer contributions will retire the current bank loan.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**7. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the City of Lacombe be disclosed as follows:

	<b>2016</b>	2015
	\$	\$
Total debt limit	<b>42,105,305</b>	40,490,118
Long-Term Debt	<b>13,605,935</b>	5,841,026
	<b>28,499,370</b>	34,649,092
Debt servicing limit	<b>7,017,551</b>	6,748,353
Long Term Debt Principal Payments	<b>1,463,485</b>	1,888,431
	<b>5,554,066</b>	4,859,922

The debt limit is calculated at 1.5 times the revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be represented as a whole.

**8. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2016</b>	2015
	\$	\$
Tangible Capital Assets	<b>224,920,494</b>	201,715,822
Accumulated Amortization	<b>(64,928,475)</b>	(59,889,714)
Long-Term Debt	<b>(13,605,935)</b>	(5,841,026)
	<b>146,386,084</b>	135,985,082



**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**9. ACCUMULATED SURPLUS**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Reserves (Restricted Surplus):</b>		
General Capital Reserve	<b>131,422</b>	249,226
General Government Reserve	<b>32,459</b>	42,459
IT Equipment Replacement Reserve	<b>70,280</b>	19,855
Lacombe Police Reserve	<b>83,958</b>	215,901
Lacombe Fire Department	<b>124,914</b>	421,097
Safety Committee Reserve	<b>33,396</b>	30,896
Equipment Replacement Reserve	<b>292,283</b>	(82,575)
Streets and Roads Reserve	<b>1,483,982</b>	1,914,811
Public Transportation Reserve	<b>92,797</b>	71,100
Storm Sewer Reserve	<b>125,749</b>	86,699
Water System Reserve	<b>60,951</b>	90,104
Wastewater System Reserve	<b>586,382</b>	370,640
Solid Waste Reserve	<b>458,771</b>	423,034
Cemetery Reserve	<b>194,247</b>	179,247
Economic Development Reserve	<b>13,148</b>	38,585
Offsite Levy Reserve	<b>1,728,755</b>	1,728,755
Land Held for Resale Reserve	<b>(1,637,917)</b>	(1,101,590)
Recreation Facility Reserve	<b>259,687</b>	318,341
Parks and Recreation Reserve	<b>(59,617)</b>	15,172
Municipal Dedication Reserve	<b>155,123</b>	155,123
Municipal Art Bank Reserve	<b>29,148</b>	19,148
<b>Total Reserves</b>	<b>4,259,918</b>	5,206,028
<b>Unrestricted Surplus</b>	<b>5,084,372</b>	3,171,586
<b>Equity in TCA</b>	<b>146,386,084</b>	135,985,082
<b>Accumulated Surplus</b>	<b>155,730,374</b>	144,362,696

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**10. SEGMENTED DISCLOSURE**

The City of Lacombe provides a range of services to its residents and ratepayers. For each reported segment in Schedule 5 revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in (Note 1).

**11. SALARY AND BENEFIT DISCLOSURE**

Disclosure of salaries and benefits for municipal officials and the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

			<b>2016</b>	2015
			\$	\$
	Salary <sup>1</sup>	Benefits & Allowances <sup>2</sup>	Total	Total
<b>Council:</b>				
Councillor Rempel	24,573	2,363	<b>26,936</b>	30,735
Councillor Bouwsema	24,573	2,499	<b>27,072</b>	27,521
Councillor Konnik	24,573	834	<b>25,407</b>	27,140
Mayor Christie	56,089	9,009	<b>65,098</b>	64,032
Councillor Armishaw	24,573	2,619	<b>27,192</b>	24,896
Councillor Harder	24,573	633	<b>25,206</b>	26,866
Councillor McQuesten	24,573	5,486	<b>30,059</b>	28,729
Chief Administrative Officer MacQuarrie	183,309	53,125	<b>236,434</b>	226,990
	<b>386,836</b>	<b>76,568</b>	<b>463,404</b>	<b>456,909</b>

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships, and tuition.

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**12. MUNICIPAL EMPLOYEE PENSION PLANS**

**Local Authorities Pension Plan**

Employees of the City of Lacombe participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pensions Plan Act. The Plan serves about 244,621 people from 426 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Lacombe is required to make current service contributions to LAPP of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess.

Employees of the City are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the City to the plan in 2016 were \$839,932 (2015 - \$770,519). Total current service contributions by employees to the plan in 2016 were \$773,410 (2015 - \$709,036). At December 31, 2015, the plan disclosed an actuarial deficiency of \$923 Million.

**APEX Supplementary Pension Plan**

Previously, any City of Lacombe employees that were in a position classed as Level E or higher had the choice to participate in the APEX Supplementary Pension Plan, which is covered by the Alberta Employment Pensions Plan Act. Effective January 1, 2011, APEX is only available for those employees in a management position. APEX serves as an enhancement to the LAPP base pension, matches pensions provided to other public sector senior management and professional employees, and provides pensions that are reflective of total earnings.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Lacombe is required to make current service contributions to APEX of 3.0% of the member's earnings up to the APEX Earnings Maximum, which was \$144,500 for 2016.

Contributing employees of the City are required to make current service contributions of 2.0% of earnings up to the APEX Earnings Maximum.

Total current service contributions by the City to the plan in 2016 were \$39,418 (2015 - \$38,608). Total current service contributions by employees to the plan in 2016 were \$32,848 (2015 - \$30,101).

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**12. MUNICIPAL EMPLOYEE PENSION PLANS continued**

**Special Forces Pension Plan**

Municipal Police Officers of the City of Lacombe participate in the Special Forces Pension Plan (SFPP), which is covered by the Alberta Public Sector Pensions Plan Act. The Plan serves about 6,000 officers from seven municipalities. It is financed by employer and employee contributions and investment earnings of the SFPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Lacombe was required to make current service contributions to SFPP of 15% of pensionable salary for 2016.

Police Officers of the City were required to make current service contributions of 13.45% of pensionable salary for 2016.

Total current service contributions by the City to the plan in 2016 were \$214,828 (2015 - \$217,146). Total current service contributions by employees to the plan in 2016 were \$232,397 (2015 - \$300,730). At December 31, 2015, the plan disclosed an actuarial deficiency of \$162 million.

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**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**13. RESTATED BUDGET FIGURES - BUDGET TO PUBLIC SECTOR ACCOUNTING**

Municipal Affairs encourages the creation of a budget on the basis of Public Sector Accounting. The approved Council budget for 2016 was, however, created using historical methods which reflects a balanced budget. Cash inflows and outflows included such items as debt proceeds, transfers to and from reserves, and debt principal repayment. These items are not recognized as revenues and expenses in the Statement of Operations as they do not meet the Public Sector Accounting Standards requirement.

The approved Council budget does not include funding for non-cash items such as amortization or contributed assets. These items are recognized as revenues and expenses in the Statements of Operations as required by Public Sector Accounting Standards.

The following provides detail related to the differences between the Council approved budget and budget figures included with the financial statements.

	<b>2016 Budget</b>	<b>2016 Actual</b>	2015 actual
	\$	\$	\$
<b>EXCESS OF REVENUES OVER EXPENSES</b>	3,362,570	<b>11,367,678</b>	14,651,263
<b>Adjustments for non-cash items</b>			
Contributed Assets	-	<b>(3,008,510)</b>	(8,025,303)
Amortization of Tangible Capital Assets	5,256,990	<b>5,256,990</b>	4,925,648
Loss (Gain) on Disposal of Tangible Capital Assets	-	<b>146,839</b>	(38,111)
<b>Adjustments for cash items not recognized as revenue or expense</b>			
Proceeds on Disposal of Tangible Capital Assets	-	<b>118,017</b>	11,217
Acquisition of Tangible Capital Assets	(14,431,948)	<b>(20,647,267)</b>	(14,605,105)
Long Term Debt Principal Payments	(1,474,171)	<b>(1,463,485)</b>	(1,888,431)
New Debt	6,420,013	<b>9,296,437</b>	-
<b>Adjustments for non-cash items from Inter-Fund Allocations</b>			
Transfer from Reserves	3,205,076	<b>3,854,518</b>	5,886,573
Transfer to Reserves	(2,512,368)	<b>(2,483,710)</b>	(2,048,941)
<b>Council approved Balance</b>	<u>(173,838)</u>	<u><b>2,437,507</b></u>	<u>(1,113,190)</u>
Operating Surplus	<b>9,162</b>	120,860	454,767
Capital Deficit	<b>(183,000)</b>	2,316,647	(1,585,597)
<b>Total Surplus (Deficit)</b>	<b>(173,838)</b>	<b>2,437,507</b>	(1,113,190)

**CITY OF LACOMBE**  
**Notes to the Consolidated Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**14. CONTINGENT LIABILITIES**

**a) WASTEWATER**

The City has guaranteed \$360,000 plus interest at prime less 1.2% of a \$1,000,000 advance from Lacombe County to the North Red Deer Regional Wastewater Services Commission. The guarantee would be exercised by Lacombe County if the Commission does not enter the construction phase of the regional wastewater supply service by 2020 and the Commission is unable to obtain Provincial funding for the project.

**b) FLOODPLAINS**

The City is currently involved in legal proceedings regarding the issuance of building permits on land now constitute as a flood plain. The proceedings are in the discovery phase. At this point the potential liability is undeterminable.

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**15. PRESENTATION**

Certain comparative figures have been restated to conform to the current year's presentation.

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**16. APPROVAL OF FINANCIAL STATEMENTS**

Council and Administration have approved these financial statements.

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